

PRESS RELEASE
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for more information, contact:
M.G.F.M.V. Janssen
Secretary to the Managing Board
T : +31 20 557 5230
I : www.kasbank.com

KAS BANK MAINTAINS INCOME AND PROFIT GROWTH

- **Profit including exceptional items was over 90% higher at €50.9 million. Excluding exceptional items, profit was up 22% at €23.6 million.**
- **15% client-driven income growth due to influx of new clients, cross-selling and increased transaction volumes.**
- **All financial targets were met; turbulence on financial markets had a very limited effect on KAS BANK.**
- **High 76% pay-out ratio underlines confidence in the future and KAS BANK's strong financial position.**

Key figures

	2007	2006	change
Profit after tax expense	€50.9 million	€26.6 million	91%
Earnings per share	€3.41	€1.79	91%
Operating profit	€23.6 million	€19.3 million	22%
Operating profit per share	€1.58	€1.30	22%
Dividend per share	€2.60	€1.40	86%

Outlook

The unrest on the financial markets is at most having an indirect impact on KAS BANK, for example in the form of lower transaction volumes and lower stock market prices. Barring these effects and unforeseen circumstances, the bank's operating profit will show sustained growth in 2008.

Chairman's comment

'KAS BANK achieved good results in 2007, with growth in income generated by an influx of new clients, more cross-selling of added-value services and higher transaction volumes', says Albert Röell, chairman of the bank's Managing Board.

'The sale of our asset management and private banking activities in 2007 has enabled us to focus more closely on our wholesale business. Our clients clearly value our neutrality and independence, which mean there can be no question of any conflict of interest. Risk management and services relating to governance issues require a direct approach – like KAS BANK's – that is attuned to the European market.'

Financial targets

All financial targets were met in 2007, including and excluding exceptional items. Circumstances can arise in any given year leading to one or more of the targets not being achieved.

An analysis of the financial targets and the actual results achieved, based on both the operating results and the overall results, is given below.

Parameter	Target	2007 operating profit	2007 total profit	2006 operating profit	2006 total profit
Growth in non-interest income	> 10%	15%*	15%*	10%	10%
Efficiency ratio	70–77%	76%	61%	77%	72%
Return on equity	5–8 points above 10-year interest rate**	12%	24%	10%	13%
BIS ratio (average)	> 15%	–	16%	–	17%
Growth in earnings per share	> 8%	22%	91%	9%	36%
Dividend pay-out	60–80%	–	76%	–	78%

* Adjusted for the transfer of the private banking activities with effect from 1 April 2007.

** 2007: 4.3%; 2006: 3.8%.

Dividend proposal

Earnings per share of €1.00 nominal value in 2007 were €3.41. The forthcoming General Meeting of Shareholders will be invited to approve a dividend of €2.60 per share in cash. This represents a pay-out ratio at the upper end of our target bandwidth, reflecting the bank's strong financial position. An interim dividend of €0.45 has already been paid.

Results

The profit for 2007 was €50.9 million (2006: €26.6 million). The operating profit increased in 2007 by 22%, to €23.6 million (2006: €19.3 million). This strong increase was mainly due to significant growth of 15% in non-interest income as a result of an influx of new clients, cross-selling and increased transaction volumes.

Total income rose by 34% in 2007, to €174.1 million (2006: €130.3 million).

Excluding exceptional items, income was 11% higher, at €133.2 million (2006: €119.8 million).

Total operating expenses increased by 13% to €106.9 million (2006: €94.2 million).

Excluding the exceptional items, operating expenses were 10% higher, at €101.5 million. After adjustment for non-recurring expenses relating to staff departures and consultancy fees, specifically in respect of potential acquisitions, total expenses rose in 2007 by 6%.

The positive effect of the exceptional items on the 2007 profit was €27.4 million.

These items are connected with the transfer of the private banking activities, with the conversion of Euronext shares, impairment losses on property and interest-bearing securities from the AFS portfolio. These items are discussed in greater detail in the following pages of this report. Exceptional items were also recognised in the preceding year in connection with the disposal of some of the interests in a number of stock exchanges and in connection with the restructuring in the United Kingdom (impact on 2006 profit: €7.3 million).

Income

Compared with 2006, income was up by 29%, at €21.6 million (2006: €16.8 million). Contributory factors were an increase in client numbers and better treasury results, especially in the second half of the year.

Commission income increased by 12% to €93.4 million (2006: €83.3 million). An analysis of the commission income is given below.

Commission income <i>(in millions of euros)</i>	2007	2006	%
Custody and investment management services	32.8	30.4	8%
Clearing and settlement	39.4	28.7	37%
Securities lending	15.5	16.1	-4%
Other	5.7	8.1	-30%
Total	93.4	83.3	12%

Income from custody and investment management services was up by 8%, at €32.8 million (2006: €30.4 million). This increase was the result of growth in the volume of business on behalf of new and existing clients as well as rising stock market prices.

A strong increase in the transaction volume and a particularly sharp rise in the income from derivatives transactions lifted the commission income from clearing and settlement by 37%, to €39.4 million (2006: €28.7 million).

Income from securities lending was down by 4%, at €15.5 million (2006: €16.1 million), as a result of the fierce competition in this area of the market. The good second half of the year, resulting from improved margins and greater volumes as regards fixed income lending, was not enough to make up entirely for the drop in income in the first half.

The drop in other commission, by €2.4 million, to €5.7 million, was largely due to the loss of commission income from the private banking activities with effect from 1 April 2007.

Trading/AFS income (in millions of euros)	2007	2006	change
Trading income – foreign exchange transactions	15.3	14.2	8%
Trading income – securities and derivatives	0.8	-0.3	-
AFS income	16.8	14.6	15%
Total	32.9	28.5	15%

The trading income and income from the sale of investments from the available for sale portfolio increased by 15%, to €32.9 million (2006: €28.5 million). The result on foreign exchange trading activities was up by 8%, at €15.3 million (2006: €14.2 million). Contributing to the latter improvement was the growing use of our institutional risk management services, particularly by institutional investors, involving products such as currency overlay and transition management.

The AFS income in 2007 was mainly accounted for by results on one of the exceptional items mentioned above, namely the conversion of Euronext shares. The merger of Euronext and New York Stock Exchange and the consequent conversion of our investment in NYSE Euronext shares produced a profit of €16.3 million. In 2006, the AFS income was largely the result of the disposal of shares held in a number of stock exchanges.

Other income in 2007 includes the proceeds, amounting to €24.7 million, from the transfer of the private banking activities.

Operating expenses

Operating expenses (in millions of euros)	2007	2006	%
Staff costs	63.3	57.1	11%
Premises costs	3.2	5.2	-38%
IT costs	13.6	12.4	10%
General overheads	13.0	9.4	38%
Depreciation/amortisation	9.1	10.1	-10%
Impairment losses	4.7	0.0	-
Total	106.9	94.2	13%

Excluding the non-recurring charges of €0.7 million connected with the transfer of the private banking activities, staff costs were up by 10%, at €62.6 million (2006: €57.1 million). The increase is largely explained by higher staffing levels due to the increased volume of business.

The reduction in premises costs in 2007 was mainly the result of the restructuring in the United Kingdom at the end of the preceding year and the vacating of a rented building in the first half of 2007.

The IT costs were up by 10% in 2007. In the second half of the year, in particular, there was an intensified level of investment in product innovation and in upgrading the basic architecture.

The general overheads rose by 38%, to €13.0 million (2006: €9.4 million). This considerable increase occurred chiefly in the second half of the year. The greater level of activity led to higher costs due to losses connected with processing. Additionally, charges for professional advice in 2007 showed a sharp rise, mainly in connection with professional fees relating to potential acquisitions.

Of the reduction of €1.0 million in the level of depreciation and amortisation charges in 2007, an amount of €0.7 million is explained by extra depreciation charges in 2006 in connection with the restructuring in the United Kingdom previously referred to.

The charge of €4.7 million in 2007 in respect of impairment losses comprises two elements. The capitalised costs of alterations, amounting to €3.2 million, which were made to rented premises now no longer used were recognised as impairment losses in the first half of 2007, while an impairment loss of €1.5 million was recognised in the second half of 2007 in respect of an interest-bearing securities in the AFS portfolio.

Capital adequacy

The capital adequacy ratio is calculated by comparing the amount of the risk-weighted assets (and off-balance-sheet items) with actual own funds. The percentage given by this calculation is the BIS ratio. Actual own funds are made up of the core capital (Tier 1 capital) and the supplementary capital (Tier 2 capital). In

2007, the BIS ratio averaged 16% (2006: 17% on average). As at year-end 2007, the BIS ratio was 19% (2006:18%), with a figure of 16% on the basis of core capital alone (2006:15%).

With effect from 2008, the new Basel II capital adequacy requirements come into operation. The new rules are expected to result in a lower BIS ratio, mainly owing to a higher matching capital requirement for securities lending. There being no change in the risk profile of the bank, the target BIS ratio under Basel I of at least 15.0% will be reduced to 12.5% under Basel II.

Managing Board
KAS BANK N.V.

Amsterdam, 21 February 2008

Profile of KAS BANK

KAS BANK N.V. is a sound, specialised European bank offering a wide range of securities services and investor services for institutional investors and financial institutions.

The figures in this press release have not been examined by external auditors.

Annexes:

- Consolidated balance sheet
 - Consolidated income statement
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